

S E C T I O N

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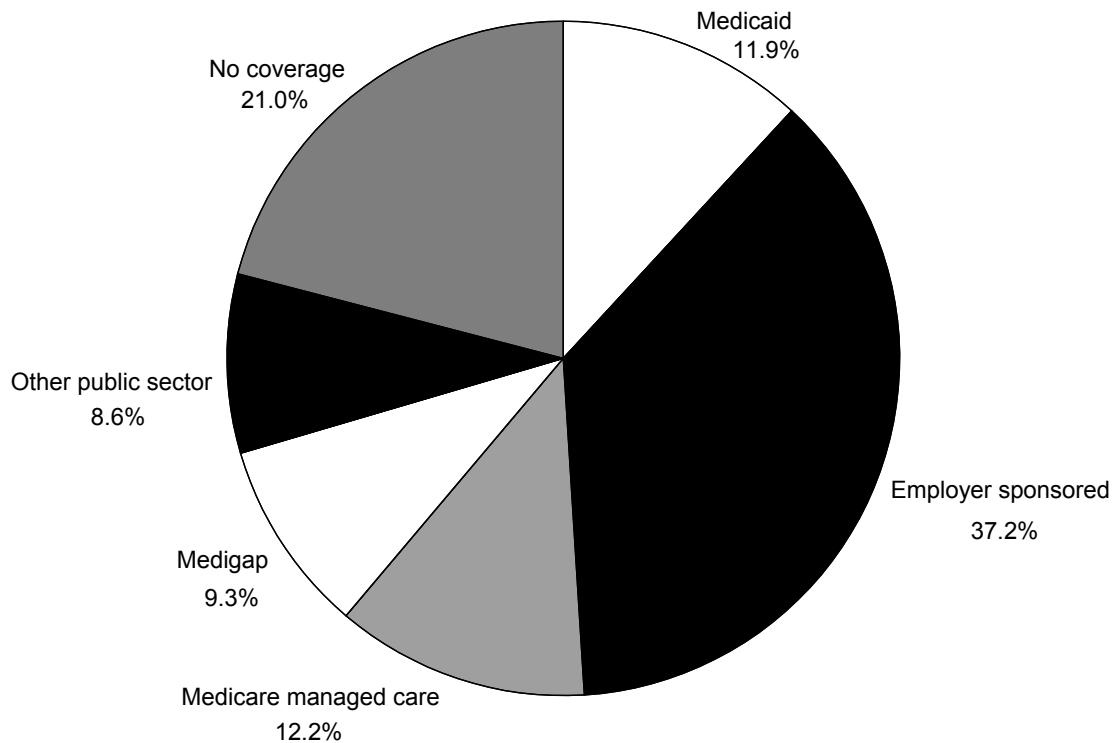
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## Drugs

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## Chart 11-1. Sources of outpatient prescription drug coverage among noninstitutionalized beneficiaries, 2002

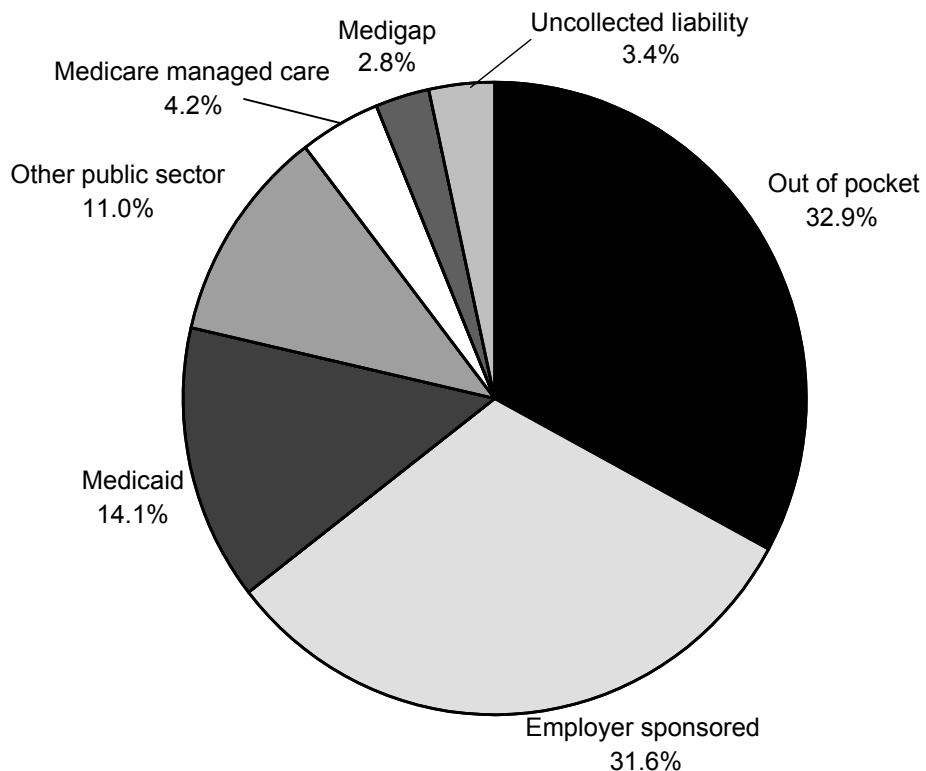


Note: "Other public sector" includes federal or state programs not included in the other categories. Analysis includes only beneficiaries living in the community. Totals may not sum to 100 due to rounding.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2002.

- Most beneficiaries living in the community have some drug coverage at some point over a calendar year. Twenty-one percent did not have any drug coverage at any time in 2002. The most common source of drug coverage in 2001 was employer-sponsored retiree coverage, held by 37.2 percent of community-dwelling beneficiaries.
- The sources of drug coverage will change substantially when the voluntary prescription drug program established under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 begins in 2006. Starting in 2006, beneficiaries cannot obtain new drug coverage through a Medigap plan; old policies can be continued. However, beneficiaries with Medigap drug coverage may not also enroll in Part D. Further, Medicaid will no longer be a primary provider of drug coverage.

## Chart 11-2. Sources of payment for prescription drugs among noninstitutionalized beneficiaries, 2002

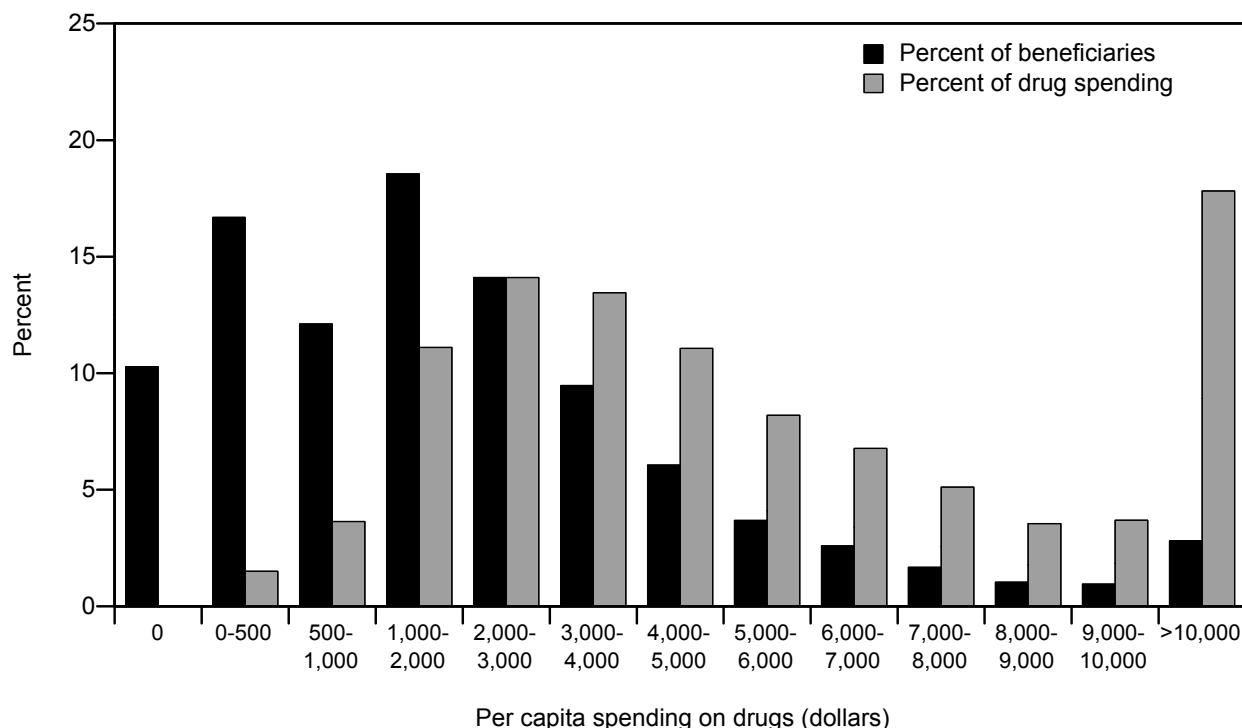


Note: "Other public sector" includes federal or state programs not included in the other categories.  
Analysis includes only beneficiaries living in the community.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2002.

- Beneficiaries living in the community have many sources paying for prescription drugs. The largest source of payment is beneficiaries' out-of-pocket spending, comprising 33 percent of total drug spending. The second-largest source of payment is employer-sponsored retiree coverage, which pays 32 percent of total drug spending.
- In 2006, there will be a new drug benefit.

### Chart 11-3. Prescription drug spending per beneficiary, 2005



Source: Estimates from the Congressional Budget Office using data from Medicare Current Beneficiary Survey, 1999, projected to 2005.

- The level of spending on prescription drugs varies widely across beneficiaries.
- About 37 percent of drug spending is concentrated among the beneficiaries with at least \$6,000 in drug spending, but they are only 9 percent of all beneficiaries.
- About 30 percent of drug spending is concentrated among the 72 percent of beneficiaries with less than \$3,000 in drug spending.

## Chart 11-4. Drug coverage among noninstitutionalized beneficiaries, by beneficiaries' characteristics, 2002

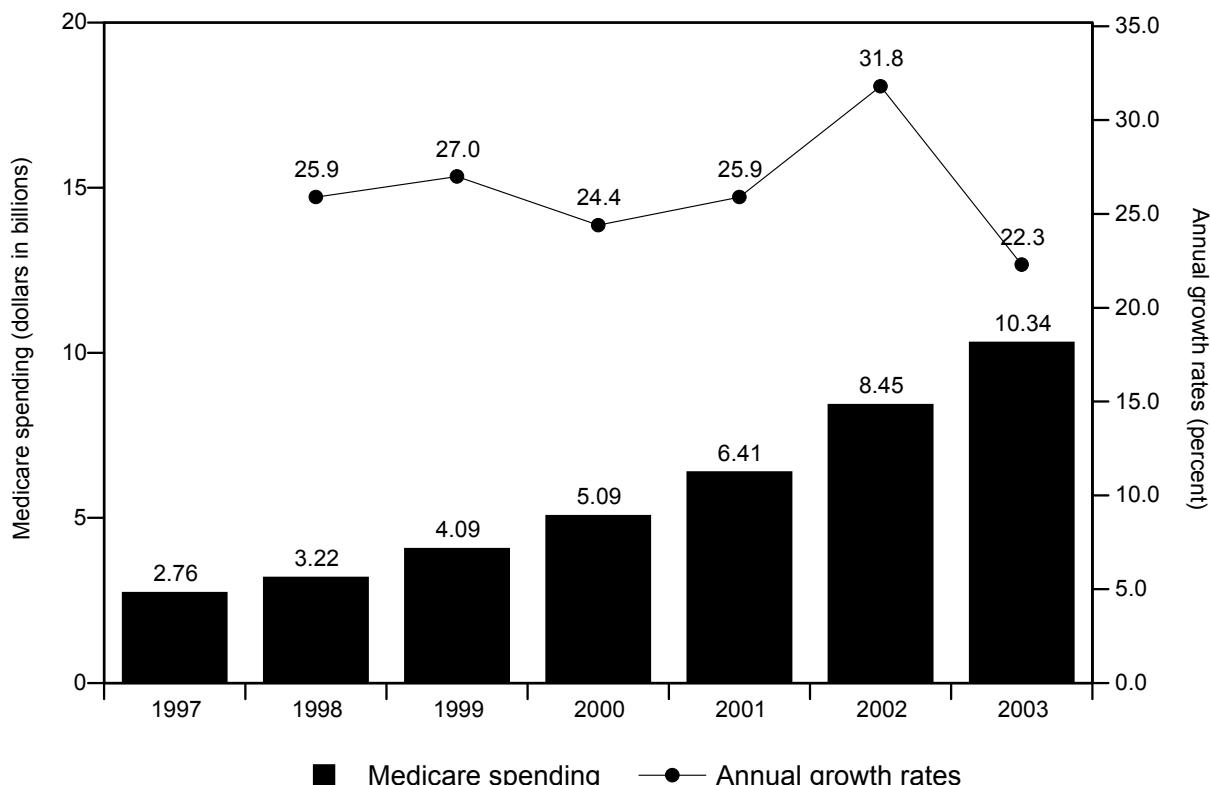
	Number of beneficiaries	Percent without drug coverage
<b>All beneficiaries</b>	<b>39,004</b>	<b>20.9%</b>
<b>Age</b>		
< 65	5,505	19.4
65–69	9,315	19.3
70–74	8,354	19.8
75–79	7,162	21.0
80–84	5,003	22.4
85+	3,666	28.3
<b>Income status</b>		
Below poverty	6,216	21.1
100–125% of poverty	3,584	23.6
125–200% of poverty	7,819	26.3
200–400% of poverty	11,916	20.4
Over 400% of poverty	9,388	16.1
<b>Health status</b>		
Excellent/very good	15,825	23.4
Good/fair	19,647	19.5
Poor	3,349	17.8
<b>Race/ethnicity</b>		
Hispanic	2,961	18.4
African American	3,687	20.8
White	30,673	21.4
Other	1,683	18.2
<b>Residence</b>		
Urban	29,752	18.1
Rural	9,191	30.2
<b>Sex</b>		
Male	17,444	20.4
Female	21,560	21.4

Note: Analysis includes only beneficiaries living in the community. In 2002, poverty was defined as \$8,628 for people living alone and \$10,885 for married couples. Totals may not sum to 100 percent due to rounding.

Source: MedPAC analysis of the Medicare Current Beneficiary Survey, Cost and Use file, 2002.

- Drug coverage among beneficiaries living in the community differs by demographic characteristics. Rural beneficiaries are much more likely to lack coverage than their urban counterparts. Other characteristics associated with lack of coverage include being age 85 or older, having income between 100 and 200 percent of poverty, and having excellent or very good health.
- In 2006, there will be new Medicare drug coverage.

## Chart 11-5. Medicare spending and annual growth rates for Part B drugs



Source: MedPAC analysis of unpublished CMS data.

- MedPAC estimates that spending for Part B drugs totaled \$10.34 billion in 2003, an increase of 22.3 percent over 2002. This sum represents about 4 percent of total Medicare spending.
- These totals do not include drugs provided through outpatient departments of hospitals or for end-stage renal disease patients in dialysis facilities. MedPAC estimates that in 2003, freestanding and hospital-based dialysis facilities alone billed Medicare an additional \$2.8 billion for drugs.
- The primary reason for growth in these expenditures is the increased volume of drugs used and the substitution of newer and more expensive medications for older therapies.
- Further analysis can be found in Chapter 9 of MedPAC's June 2003 Report to the Congress, available at  
[http://www.medpac.gov/publications/congressional\\_reports/June03\\_Ch9.pdf](http://www.medpac.gov/publications/congressional_reports/June03_Ch9.pdf)

## Chart 11-6. Top 10 drugs covered by Medicare Part B, by share of expenditures, 2003

Drug name	Clinical indications	Competition	FDA approval date	Percent of spending
Non-ESRD erythropoietin	Anemia	Multisource biological	1989	10.8%
Leuprolide acetate suspension	Prostate cancer	Multisource	1985	7.6
Ipratropium bromide	Asthma	Generic	1993	6.9
Rituximab	Non-Hodgkins lymphoma	Sole source biological	1997	5.5
Darbepoetin alfa	Anemia	Sole source	2001	5.1
Albuterol	Asthma	Generic	1982	4.7
Infliximab	Rheumatoid arthritis, Crohn's disease	Sole source biological	1999	4.7
Goserelin acetate implant	Prostate cancer	Sole source	1989	4.2
Unclassified new drugs	Various	N/A	Post 4/1/03	4.1
Docetaxel	Cancer	Sole source	1996	2.9

Note: ESRD (end-stage renal disease), FDA (Food and Drug Administration), N/A (not available).

Source: MedPAC analysis of 2003 Medicare claims data from CMS and unpublished FDA data.

- Medicare covers about 450 outpatient drugs, but spending is very concentrated. The top 10 drugs account for about 56 percent of all Part B spending.
- Spending for new drugs dominates the list. Of the top 10 drugs covered by Medicare in 2003, four received Food and Drug Administration approval in 1996 or later. In addition, spending on injectables too new to have received their own payment codes accounted for 4 percent of Part B drug spending.
- Treatment for cancer dominates the list—13 of the top 20 drugs treat cancer or the side effects associated with chemotherapy.

## **Web links. Drugs**

- Chapter 9 of the MedPAC June 2003 Report to the Congress provides information on Medicare payments for outpatient drugs under Part B.  
[http://www.medpac.gov/publications/congressional\\_reports/June03\\_Ch9.pdf](http://www.medpac.gov/publications/congressional_reports/June03_Ch9.pdf)
- Fact sheet, last updated in May 2003, provides trend data for prescription drug coverage, expenditures, and the key factors that contribute to rising prescription drug spending.  
<http://www.kff.org/rxdrugs/3057-03-index.cfm>

